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LOUISIANA STATE UNIVERSITY AND AGRICULTURAL
AND MECHANICAL COLLEGE ALUMNI ASSOCIATION

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 1997

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date SEP 23 1998



TABLE OF CONTENTS

	<u>Page</u>
<u>Independent Auditors' Report</u>	1
<u>Financial Statements - Modified Cash Basis</u>	
Statement of Assets, Liabilities and Changes in Fund Balance	2 - 5
Statement of Support, Revenues, Expenses, and Changes in Fund Balance	6 - 7
Statement of Cash Flows	8
Notes to the Financial Statements	9 - 12
<u>Supplemental Information - Modified Cash Basis</u>	
Schedule of Expenses	13 - 14





Postlethwaite & Netterville

A Professional Accounting Corporation
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Louisiana State University and Agricultural
and Mechanical College Alumni Association
Baton Rouge, Louisiana

We have audited the statement of assets, liabilities, and fund balance (modified cash basis) of Louisiana State University and Agricultural and Mechanical College Alumni Association as of December 31, 1997, and the related modified cash basis statements of support, revenues, expenses and changes in fund balance and cash flows for the year then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, these financial statements were prepared on the modified cash basis of accounting and are not intended to be presented in conformity with generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and fund balance of Louisiana State University and Agricultural & Mechanical College Alumni Association as of December 31, 1997, and its support, revenues, expenses and changes in fund balance and its cash flows for the year then ended, on the basis of accounting described in Note 1.

Our audit was made for the purpose of forming an opinion on the modified cash basis financial statements taken as a whole. The supplemental information on pages 13 - 14 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the modified cash basis financial statements; and, in our opinion, such information is fairly stated in all material respects in relation to the basic modified cash basis financial statements taken as a whole.

Postlethwaite & Netterville

Baton Rouge, Louisiana
July 30, 1998

**LOUISIANA STATE UNIVERSITY AND AGRICULTURAL
AND MECHANICAL COLLEGE ALUMNI ASSOCIATION
BATON ROUGE, LOUISIANA**

**STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCE
(MODIFIED CASH BASIS)
DECEMBER 31, 1997**

ASSETS

	<u>Unrestricted</u>		<u>Restricted Fund</u>	<u>Endowed Fund</u>	<u>Lod Cook Building Fund</u>
	<u>Annual Operating Fund</u>	<u>Unrelated Business Income Fund</u>			
<u>CURRENT ASSETS</u>					
Cash and cash equivalents	\$ 348,070	\$ 29,859	\$ 9,435	\$ 580,629	\$ 61,261
Receivable - other	50,784	-	-	132,238	-
Merchandise inventory	-	84,171	-	-	-
Total current assets	<u>398,854</u>	<u>114,030</u>	<u>9,435</u>	<u>712,867</u>	<u>61,261</u>
Investments	<u>11,873</u>	<u>-</u>	<u>2,028,011</u>	<u>3,851,384</u>	<u>-</u>
<u>FIXED ASSETS</u>					
Property and equipment					
Building	-	-	-	-	4,843,103
Automobiles	101,319	-	-	-	-
Equipment	426,935	36,217	-	-	492,262
Other	-	-	-	-	11,509
Contributed property	6,500	-	-	-	-
	<u>534,754</u>	<u>36,217</u>	<u>-</u>	<u>-</u>	<u>5,346,874</u>
Less: Accumulated depreciation	<u>(329,741)</u>	<u>(24,811)</u>	<u>-</u>	<u>-</u>	<u>(720,112)</u>
	<u>205,013</u>	<u>11,406</u>	<u>-</u>	<u>-</u>	<u>4,626,762</u>
Interfund receivable (payable)	<u>1,264,065</u>	<u>(522,340)</u>	<u>(403,229)</u>	<u>44,184</u>	<u>(382,680)</u>
Total Assets	<u>\$ 1,879,805</u>	<u>\$ (396,904)</u>	<u>\$ 1,634,217</u>	<u>\$ 4,608,435</u>	<u>\$ 4,305,343</u>

The accompanying notes are an integral part of this statement.



Total All Funds (Memorandum Only)	
1997	1996
\$ 1,029,254	\$ 1,170,287
183,022	177,022
84,171	100,120
1,296,447	1,447,429
5,891,268	5,475,723
4,843,103	4,840,828
101,319	101,319
955,414	939,119
11,509	11,509
6,500	6,500
5,917,845	5,899,275
(1,074,664)	(820,976)
4,843,181	5,078,299
-	-
\$ 12,030,896	\$ 12,001,451

**LOUISIANA STATE UNIVERSITY AND AGRICULTURAL
AND MECHANICAL COLLEGE ALUMNI ASSOCIATION
BATON ROUGE, LOUISIANA**

**STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCE
(MODIFIED CASH BASIS)
DECEMBER 31, 1997**

LIABILITIES AND FUND BALANCE

	Unrestricted				
	Annual Operating Fund	Unrelated Business Income Fund	Restricted Fund	Endowed Fund	Lod Cook Building Fund
<u>CURRENT LIABILITIES</u>					
Advances	\$ 22,218	\$ 416	\$ -	\$ -	\$ -
Deferred amounts	-	-	-	-	-
Due to LSU Foundation	-	-	-	-	-
Total current liabilities	<u>22,218</u>	<u>416</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance (deficit):					
Unrestricted	1,857,587	(397,320)	-	-	-
Restricted	-	-	1,634,217	4,608,435	-
Net Investment - plant	-	-	-	-	4,305,343
	<u>1,857,587</u>	<u>(397,320)</u>	<u>1,634,217</u>	<u>4,608,435</u>	<u>4,305,343</u>
Total liabilities and fund balance	<u>\$ 1,879,805</u>	<u>\$ (396,904)</u>	<u>\$ 1,634,217</u>	<u>\$ 4,608,435</u>	<u>\$ 4,305,343</u>

Total All Funds (Memorandum Only)	
1997	1996
\$ 22,634	\$ 185,856
-	1,374,197
-	59,362
<u>22,634</u>	<u>1,619,415</u>

1,460,267	1,808,150
6,242,652	4,345,651
4,305,343	4,228,235
<u>12,008,262</u>	<u>10,382,036</u>

<u>\$ 12,030,896</u>	<u>\$ 12,001,451</u>
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**LOUISIANA STATE UNIVERSITY AND AGRICULTURAL
AND MECHANICAL COLLEGE ALUMNI ASSOCIATION
BATON ROUGE, LOUISIANA**

**STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCE
CHANGES IN FUND BALANCE (MODIFIED CASH BASIS)
DECEMBER 31, 1997**

	Unrestricted				
	Annual Operating Fund	Unrelated Business Income Fund	Restricted Fund	Endowed Fund	Lod Cook Building Fund
<u>SUPPORT AND REVENUES</u>					
Credit card income	\$ 25,474	\$ -	\$ -	\$ -	\$ -
Donations	1,577,709	-	156,073	262,784	478,817
Sales and trip income	-	839,777	-	-	-
Dividend and interest income	21,183	-	496,131	-	-
Gain (loss) on sale of assets - net	1,500	-	(100,209)	-	(5,035)
Other income	286,788	-	-	-	21,000
	<u>1,912,654</u>	<u>839,777</u>	<u>551,995</u>	<u>262,784</u>	<u>494,782</u>
<u>EXPENSES</u>	<u>2,212,158</u>	<u>888,156</u>	<u>291,974</u>	<u>-</u>	<u>417,674</u>
<u>EXCESS (DEFICIT) OF REVENUES OVER EXPENSES BEFORE CUMULATIVE EFFECT OF A CHANGE IN ACCOUNTING PRINCIPLE</u>					
	(299,504)	(48,379)	260,021	262,784	77,108
<u>CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE</u>					
	-	-	1,374,196	-	-
<u>EXCESS (DEFICIT) OF REVENUES OVER EXPENSES</u>					
	(299,504)	(48,379)	1,634,217	262,784	77,108
<u>FUND BALANCE (DEFICIT) BEGINNING OF PERIOD</u>					
	2,157,091	(348,941)	-	4,345,651	4,228,235
<u>FUND BALANCE (DEFICIT) END OF PERIOD</u>					
	<u>\$ 1,857,587</u>	<u>\$ (397,320)</u>	<u>\$ 1,634,217</u>	<u>\$ 4,608,435</u>	<u>\$ 4,305,343</u>

Total All Funds
(Memorandum Only)

1997	1996
<p>\$ 25,474</p> <p>2,475,383</p> <p>839,777</p> <p>517,314</p> <p>(103,744)</p> <p>307,788</p> <hr style="border: 0.5px solid black;"/> <p>4,061,992</p> <hr style="border: 0.5px solid black;"/> <p>3,809,962</p>	<p>\$ 1,719,664</p> <p>2,260,847</p> <p>770,151</p> <p>326,482</p> <p>(6,793)</p> <p>250,296</p> <hr style="border: 0.5px solid black;"/> <p>5,320,647</p> <hr style="border: 0.5px solid black;"/> <p>3,444,240</p> <p>252,030</p> <p>1,876,407</p> <hr style="border: 0.5px solid black;"/> <p>1,374,196</p> <hr style="border: 0.5px solid black;"/> <p>1,626,226</p> <p>1,876,407</p> <hr style="border: 0.5px solid black;"/> <p>10,382,036</p> <hr style="border: 0.5px solid black;"/> <p>8,505,629</p> <p>\$ 12,008,262</p> <hr style="border: 0.5px solid black;"/>
<p>\$ 12,008,262</p> <hr style="border: 0.5px solid black;"/>	<p>\$ 10,382,036</p> <hr style="border: 0.5px solid black;"/>



**LOUISIANA STATE UNIVERSITY AND AGRICULTURAL
AND MECHANICAL COLLEGE ALUMNI ASSOCIATION
BATON ROUGE, LOUISIANA**

**STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 1997**

	<u>1997</u>	<u>1996</u>
	<u>All Funds</u>	<u>All Funds</u>
		(Memorandum Only)
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Excess of revenues over expenses - modified cash basis	\$ 252,030	\$ 1,876,407
Adjustments to reconcile deficit of revenues over expenses to net cash provided by operations:		
Depreciation	253,687	241,443
Loss on sale of assets	105,245	6,793
Net change in operating assets	9,949	(138,274)
Net change in operating liabilities	(222,584)	55,901
Net cash provided by operating activities	<u>398,327</u>	<u>2,042,270</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Acquisition of property, plant and equipment	(18,570)	(167,632)
Purchases of investments	(5,333,182)	(2,855,963)
Sale of investments	4,812,395	2,643,159
Net cash used in investment activities	<u>(539,357)</u>	<u>(380,436)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Proceeds from line of credit and advances	-	3,908
Principal payments on notes payable	-	(644,769)
Net cash used in financing activities	<u>-</u>	<u>(640,861)</u>
Net increase (decrease) in cash	(141,030)	1,020,973
Cash at beginning of year	<u>1,170,287</u>	<u>149,314</u>
Cash at end of year	<u>\$ 1,029,257</u>	<u>\$ 1,170,287</u>

The accompanying notes are an integral part of this statement.



LOUISIANA STATE UNIVERSITY AND AGRICULTURAL
AND MECHANICAL COLLEGE ALUMNI ASSOCIATION
BATON ROUGE, LOUISIANA

Page 1 of 4

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

Organization

The Louisiana State University and Agricultural and Mechanical College Alumni Association (the Association) is a non-profit corporation organized to foster, protect, and promote the welfare of Louisiana State University and Agricultural and Mechanical College (the University) and maintains a mutually beneficial relationship between the University and its alumni. The Association is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code for the majority of the Association's revenues. Most of the Association's revenues are derived from contributions made by individual alumni and various organizations.

Modified Cash Basis

The Association's policy is to prepare its financial statements on the modified cash basis of accounting. That basis differs from generally accepted accounting principles primarily because the Association does not include pledges receivable, accounts payable to vendors, and their related effects on changes in fund balance. Consequently, certain revenues and related assets are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when the obligation is incurred. Certain contributions of property and other items are not recorded until proceeds are realized.

Inventory

Inventory is stated at the lower of cost (first-in, first-out method) or market.

Investments

Investments consist of U.S. Government and Agency issues and equity securities. The U.S. Government and Agency issues are stated at cost and the equity securities are stated at lower of cost or market. The Association intends to hold all investments to maturity.

Property and Equipment

Property and equipment is carried at cost. Depreciation is provided using the straight-line method over the estimated useful lives of the property, ranging from four to forty years.

Fund Accounting

To ensure observance of limitations and restrictions placed on the use of resources available to the Association, the accounts of the Association are maintained in accordance with the principles of fund accounting. That is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purposes. Separate accounts are maintained for each fund.



LOUISIANA STATE UNIVERSITY AND AGRICULTURAL
AND MECHANICAL COLLEGE ALUMNI ASSOCIATION
BATON ROUGE, LOUISIANA

Page 2 of 4

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (continued)

Fund Accounting (continued)

The assets, liabilities and fund balances of the Association are reported in five self-balancing fund groups as follows:

- The Annual Operating Fund, which includes unrestricted and restricted resources, represents the portion of expendable funds that are available for support of Alumni operations.
- Unrelated Business Income fund represents funds from the gift shop and other special events.
- Restricted funds represents funds restricted by outside sources and may only be utilized in accordance with the purposes established by the sources of such funds.
- Endowment funds represent funds that are subject to restrictions of gift instruments requiring that the principal be maintained in perpetuity and invested and only the income be used.
- The Lod Cook Building fund represents resources restricted for property and equipment acquisitions and funds expended for property and equipment and building operations.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Association considers all demand deposits and money market accounts purchased with an original maturity of three months or less to be cash or cash equivalents.

Functional Expenses

The Annual Operating Fund expends funds on scholarships, other program services and management and general expenses. The restricted funds expend funds on scholarships, professorships, and trust management fees. The Lod Cook Building Fund expends funds on fund raising and operating costs of the building.

Unrelated Business Income

The Association's operations include activities which are considered taxable under the Internal Revenue Code, because they are unrelated to the exempt purpose of the organization. These activities include merchandise sales, sports trips, affinity credit cards, phone directory sales and building rental income.



LOUISIANA STATE UNIVERSITY AND AGRICULTURAL
AND MECHANICAL COLLEGE ALUMNI ASSOCIATION
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (continued)

Donated Property

Donated property is carried at fair market value as determined on the date of donation.

Estimates

The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect certain amounts and disclosures. Accordingly, actual results could differ from those estimates.

Concentration of Credit Risk

The Company maintains its cash in bank deposit accounts at various financial institutions. The balances, at times, may exceed federally insured limits. At December 31, 1997, the Company exceeded the insured limit by approximately \$79,000.

2. Related Parties

The Association is covered by insurance under the State of Louisiana Office of Risk Management.

During the year ended December 31, 1997, the Association paid approximately \$209,000 to agencies of the university for various services and supplies. In addition, the Association reimbursed the university approximately \$477,000 for salaries and other related expenses.

The Association has funds invested with the LSU Foundation totaling \$132,238 at December 31, 1997.

3. Investments

Investments are recorded at cost. Equity securities are recorded at the lower of cost or market. Fair values were determined using quoted market prices. Investments consist of the following:

	<u>Cost</u>	<u>Fair Value</u>
Equity Securities	\$ 3,322,108	\$ 3,314,338
Fixed Income Funds	2,059,107	2,042,493
Liquid Assets	<u>510,053</u>	<u>521,335</u>
	<u>\$ 5,891,268</u>	<u>\$ 5,878,166</u>



LOUISIANA STATE UNIVERSITY AND AGRICULTURAL
AND MECHANICAL COLLEGE ALUMNI ASSOCIATION
BATON ROUGE, LOUISIANA

Page 4 of 4

NOTES TO FINANCIAL STATEMENTS

4. Lines of Credit and Advances

The Association had available a renewable line of credit which expired on July 29, 1998 in the amount of \$300,000 at an interest rate of 7.25%. At December 31, 1997, the entire line of credit was available.

5. Change in Accounting Principle

During fiscal 1997, the Association changed the way it accounted for restricted donations not yet expended. The result of this change was to eliminate deferred revenue and to recognize all contributions as income when received. The effect on fund balance at January 1, 1997, was an increase of \$1,374,196. The effect of the change on excess revenues over expenses for December 31, 1997 would have been a decrease of \$613,196.

6. Unrelated Business Income Taxes

At December 31, 1997, the Association had a net operating loss carry forward of \$1,700,000 expiring in the years 2000 - 2008 from the unrelated business income fund operations. For the year ended December 31, 1997, no deferred tax asset related to the net operating loss carryforward has been recorded due to the uncertainty of realizing this benefit.

7. Rent Expense

Total rent and lease expense incurred for the year ended December 31, 1997 was \$16,505. These rentals and leases are short term and cancelable by either party.

The Association has entered into a 99-year lease with the Louisiana State University for the Lod Cook Alumni Center land. The annual rent expense associated with this lease is nominal.



**LOUISIANA STATE UNIVERSITY AND AGRICULTURAL
AND MECHANICAL COLLEGE ALUMNI ASSOCIATION
BATON ROUGE, LOUISIANA**

**SCHEDULE OF EXPENSES (MODIFIED CASH BASIS)
DECEMBER 31, 1997**

	<u>Unrestricted</u>		Restricted Fund	Endowed Fund	Lod Cook Building Fund
	Annual Operating Fund	Unrelated Business Income Fund			
<u>EXPENSES</u>					
Ad sales commissions	\$ -	\$ 23,115	\$ -	\$ -	\$ -
Catering expenses	84,731	-	-	-	-
Cost of merchandise sold	5,110	271,300	-	-	-
Credit card buyout	347,000	-	-	-	-
Data processing	-	-	-	-	-
Depreciation	52,010	2,402	-	-	199,275
Dues and subscriptions	4,080	119	-	-	-
Fund raising expense	-	-	-	-	23,786
Gifts of appreciation	27,489	-	-	-	-
Insurance	16,154	-	-	-	-
Interest expense	892	662	-	-	-
Investment management and trustee fees	-	-	31,256	-	-
Miscellaneous operating services	2,281	10,711	7,326	-	18,067
Official functions and entertainment	5,959	-	-	-	-
Other support	25,404	-	-	-	-
Repairs and maintenance	34,857	8,990	-	-	34,291
Postage	136,131	23,525	-	-	30
Printing	232,712	20,331	-	-	91
Professorships and academic awards	20,556	-	-	-	-
Professional and contracted services	33,447	6,308	-	-	-
Promotional supplies	68,735	-	-	-	905
Rent	11,754	4,751	-	-	-
Salaries	617,636	229,210	-	-	42,393
Scholarships	104,750	-	253,392	-	-
Special events ticket purchases	131,795	46,880	-	-	-
Staff benefits	106,761	29,018	-	-	3,483
Supplies	21,235	21,187	-	-	6,440
Telephone	42,452	10,369	-	-	346
Travel and sports trips	78,227	179,278	-	-	-
Utilities	-	-	-	-	88,567
	<u>\$ 2,212,158</u>	<u>\$ 888,156</u>	<u>\$ 291,974</u>	<u>\$ -</u>	<u>\$ 417,674</u>

Total All Funds
(Memorandum Only)

1997	1996
\$ 23,115	\$ -
84,731	-
276,410	191,237
347,000	-
-	21
253,687	250,863
4,199	3,229
23,786	24,147
27,489	22,307
16,154	16,705
1,554	53,076
-	-
31,256	14,732
38,385	57,493
5,959	9,048
25,404	21,136
78,138	76,717
159,686	147,246
253,134	236,379
20,556	38,472
39,755	47,862
69,640	49,225
16,505	8,188
889,239	819,701
358,142	416,214
178,675	208,223
139,262	131,658
48,862	154,758
53,167	61,333
257,505	298,376
88,567	85,894
<u>\$ 3,809,962</u>	<u>\$ 3,444,240</u>

